

Testimony of Congressman Adrian Smith Before the House Committee on Ways and Means

Hearing on China's Exchange Rate Policy
1100 Longworth House Office Building
Washington, DC
September 15, 2010
10:30 a.m.

Mr. Chairman Levin, Ranking Member Camp, and members of the Committee:

Thank you for this opportunity to testify today. China's exchange rate is certainly a serious issue which warrants careful congressional consideration.

While I would agree we need to ensure market mechanisms are not distorted, and particularly the U.S. manufacturing sector is not forced to compete against low-cost Chinese products, I would simply advise the committee to diligently address the ramifications any congressional action might have on the United States. Any legislative proposal must be given the utmost attention so that we do not disrupt our current growing exports to China, particularly those from the U.S. agriculture industry.

As many of you know, U.S. agriculture exports continue to be one of the bright spots for our country's economy. Agricultural products are America's number one export, and about 17 percent of raw U.S. agriculture products are exported annually, valued at \$43.5 billion. Ag exports support one-third of all jobs on the farm as well as two-thirds of farm supporting industries.

Most importantly and relevant to this hearing, U.S. agricultural exports to China are growing. Agricultural products are one of the few areas in which we maintain a large trade surplus with China. The value of U.S. food and agricultural exports to China more than doubled from \$6.8 billion in 2003 to \$15.9 billion in 2009, and is expected to continue to grow in 2010.

Every dollar in agricultural exports generates \$1.65 in economic activity in industries such as transportation, financing, warehousing, and production. In my home state, Nebraska's \$4 billion in agricultural exports translates into \$6.7 billion in additional economic activity.

Representing one of the largest agriculture districts in the country, I am committed to removing obstacles for U.S. exports. One of the greatest frustrations I hear from agriculture producers in my district comes from the unfounded and unscientific sanitary and phytosanitary barriers imposed by our trading partners. American agricultural and food products are routinely targeted by unjustified restrictions from other countries, including China. It is our obligation, however, to ensure the U.S. leads by example and upholds the rules-based system.

All too often protectionist measures trigger retaliatory actions, which hurt our economy while giving way to international competitors. The wrong policy could not only endanger existing exports to China, but also prevent the United States from negotiating an agreement on other exports to China, such as U.S. beef.

Misguided policies cost American agriculture producers millions while threatening all exported agriculture products. As you may recall, in response to last year's congressional ban on Chinese imports of poultry products, China signaled the intent to block imports of U.S. poultry for the remainder of the year at an estimated cost of \$370 million to our domestic producers.

This is not unique to China. In other areas our agriculture exports are taking a hit for inconsistent policy. The current trucking dispute with Mexico had led to retaliation tariffs imposed on more than 90 U.S. agricultural and industrial products. These goods account for billions in U.S. exports to Mexico, and most now face Mexican import duties of between 10-20 percent.

In closing, Mr. Chairman, I agree China should move toward a market-determined exchange rate. But in trying to achieve that goal, I ask you to please ensure our current export markets are not threatened because Congress has taken questionable legislative action which invites retaliation. During these tough economic times, congressional policies should instead be opening markets to our exports, such as by moving our languishing trade agreements with South Korea, Colombia, and Panama. We need to create U.S. jobs, not threaten them.